

EXHIBIT 1

[From the Wall Street Journal, Aug. 19, 1996]

AN ADMIRAL TURNS BIG GUNS ON WASTE AT NORFOLK, VA., BASE

FACING A SEA OF BUSINESS DEALS, FLANAGAN CHARTS A COURSE THAT CHANGES U.S. NAVY

(By John J. Fialka)

NORFOLK, VA.—Not long ago, a private company wanted to rent one of the Navy's sagging, "temporary" buildings here. It offered \$400,000 a year for a Cold War relic that was sitting empty.

"We can't do that! Tear it down," ordered Adm. William J. "Bud" Flanagan Jr., commander of the Atlantic Fleet and the short, stocky czar of the sprawling Norfolk Naval Base.

The admiral, who now oversees an \$11 billion budget but spent many of his 29 years in the Navy hunting for Soviet submarines, had reason to torpedo the deal. He had hired an outside research firm to analyze the base's \$100 million energy bill—a first—and found that heating and cooling the 70,000-square-foot, uninsulated structure would cost nearly \$1 million a year. So the rental would lose money. Now, the building is the 84th the admiral has ordered destroyed, and he has targeted 80 more.

Not that Adm. Flanagan hates business deals. In fact, he views this 55-square-mile naval base as awash in entrepreneurial possibilities. He will welcome tourists to what will be, in effect, a theme park with aircraft carriers. He will let a neighboring cargo terminal store cocoa beans on the base—if it helps load Navy ships. He will let developers build fancy townhouses and offices on a slummy-looking peninsula.

For decades, the Navy played a cat and mouse with the Soviet Union at sea, but on shore it operated much like its old adversary. Nobody itemized costs. Electricity wasn't metered. Submarine, aircraft and surface-ship commanders built redundant fiefs and, Adm. Flanagan complains, "didn't talk to each other." As with many federal bureaucracies, leftover funds reverted to the Treasury at year end; so they were spent—on almost anything. "The old tradition was if the Navy can spend some money, it will," he recently noted to a group of naval auditors.

CHANGED RULES

Last year, however, the Navy changed the rules—after hard lobbying by Adm. Flanagan. He did so partly because, as one of a Cape Cod, Mass., policeman's eight children, he admired his mother's gentle but firm grasp on the family budget. But he also was strongly influenced by four mid-career months at Harvard Business School, where he became acquainted with marketing concepts. "It opened up a whole new avenue of thought," he recalls.

Under the Navy's new rules, a commander who saves money or generates outside income can use the funds to buy new ships, planes or other equipment. Now Adm. Flanagan, perhaps with more determination than most senior officers, is trying to get his subordinates on board. His reasoning: The Navy's job remains "to fight and win," he says, but, in an era of shrinking budgets, it can't win "unless we learn to look more like GE than USN."

When he found the Norfolk base renting several hundred vans it didn't need and its overstaffed golf course losing vast sums, he didn't "shoot anybody" but got the problems corrected, he says. "If you start assessing fear and blame," he adds, waste simply goes "underground." Instead, he praises managers who improve matters.

Meanwhile, the first new business was peering through the front gate. Lured by hulking carriers moored at the docks, some

350,000 visitors showed up at base entrances every year, but most couldn't get past the guards. So in October, the admiral removed the guards from the gates. "It took some old salts here some time to get used to it," recalls Norfolk's mayor, Paul Fraim.

Before long, tour buses will call at a new, privately owned marina and restaurant, which will share any profits with the base, and a "Welcome Center" complete with souvenir shops. Naval Number-crunchers—more use to counting munitions—expect 500,000 tourists this year, causing one naval officer to exult: "When they each buy a baseball cap at \$6 a pop, we've just made \$3 million!"

Nearly Norfolk International Terminals is also pleased. Cramped for space, it finds itself inundated by two million bags of cocoa beans after a market upheaval. For years, Robert Bray, executive director of the Virginia Port Authority, which runs it, had sought access to empty Navy warehouses just across the fence but found "the answer was always no."

BARTER DEAL PROPOSED

Adm. Flanagan said yes. But he wants a billion-dollar barter deal; if the terminal will load cargo onto Navy ships, it can build storage facilities on unused naval property. Under the projected agreement, the railroad serving the terminal could use Navy land, allowing it to operate longer freight trains. Both the terminal and the base would gain cargo capacity.

Another possible deal that interests Adm. Flanagan involves Willoughby spit, a landfill area with 440 somewhat-shabby Navy apartments—each needing \$70,000 of renovation. Two local developers see opportunity—prime waterfront land for a hotel-office-marina complex and townhouses. Monica R. Shephard, the Navy's negotiator, hopes to lease out the site on a long-term basis and use the revenue to finance better naval housing elsewhere. However, civilian tenants would be warned they could be temporarily locked off the base in a national emergency.

In addition, many other tacky, prefab buildings are coming down. Adm. Flanagan, who first came here as a freighter crewman in 1964, remembers even then wondering why so many "temporaries" were still around. As the landlord, he found 132 Navy tenants, some with no direct connection to his base's mission, and told them to pay rent or ship out. "The goal is to make people aware that this stuff isn't free. . . . We are in a limited-resources game," he explains.

REPAIR FACILITIES CONSOLIDATED

His staffers also have consolidated 13 electric-motor repair facilities into one and have cut some 30 instrument-calibration shops to five. The savings so far: about \$39 million. And Rear Adm. Art Clark, the Atlantic fleet's chief maintenance officer, says he can cut more.

Not all this pleases private repair yards. They invested heavily in drydocks and piers when President Reagan wanted a 600-ship Navy, and now they fear that the Navy will do more of its own work.

J. Douglas Forrest, vice president of Collona's Shipyard Inc., a family business operating here since 1875, grumbles about naval officers going to "90-to-120-day whiz-bang programs at Harvard, so then they can deal in the financial world." Nothing personal, he adds quickly. "People like Bud Flanagan broke the Red Navy. . . . They're great guys. . . . But the Navy never prepared them for making all the decisions that have been forced upon them by a government that is downsizing."

Adm. Flanagan, too, sometimes longs for the days when "win the war" was the Navy's bottom line: "that was easy. You just got up in the morning and followed the plan."

CONGRATULATIONS TO CAPT.

JOHN "TAL" MANVEL, U.S. NAVY

Mr. NUNN. Mr. President, I would like to take this opportunity to recognize Navy Capt. John "Tal" Manvel who has been named the Navy's program manager for the next generation aircraft carrier. Until this assignment, Captain Manvel had been serving as the Executive Assistant to Assistant Secretary of the Navy for Research, Development and Acquisition John Douglass, where he established an outstanding record of service. Navy acquisition has benefited greatly from Captain Manvel's professional advice to the Assistant Secretary Douglass.

Captain Manvel's next assignment carries a very important responsibility. The aircraft carrier is the backbone of our Navy. With a 50-year expected life cycle—greater than any other weapon platform in the Navy—over 80,000 men and women will serve aboard each of these new ships during their life as well as several generations of Naval aircraft. As the program manager for the next generation aircraft carrier, Captain Manvel's influence on our Navy will be evident for more than a half century.

Captain Manvel has broad experience as both an acquisition professional and as a naval engineer with experience on-board aircraft carriers, including duty as chief engineer onboard the *U.S.S. America* (CV 66). He is superbly suited to lead this project. I know my colleagues join me in congratulating Captain Manvel on his new assignment and in wishing him continued success in his career of service to the Navy and our country.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Tuesday, September 3, the Federal debt stood at \$5,226,657,169,759.06.

Five years ago, September 3, 1991, the Federal debt stood at \$3,617,116,000,000.

Ten years ago, September 3, 1986, the Federal debt stood at \$2,110,332,000,000.

Fifteen years ago, September 3, 1981, the Federal debt stood at \$979,575,000,000.

Twenty-five years ago, September 3, 1971, the Federal debt stood at \$414,181,000,000, an increase of more than \$4,812,476,169,759.06 in the past 25 years.

MESSAGES FROM THE HOUSE

At 6:01 p.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House agrees to the amendment of the Senate to the bill (H.R. 3269) to amend the Impact Aid Program to provide for a hold-harmless with respect to amounts for payments relating to the Federal acquisition of real property, and for other purposes.